

PALTRADE STRATEGIC MANAGEMENT MISSION

**A SUMMARY OF
ACTIVITIES, CONCLUSIONS,
AND RECOMMENDATIONS**

Prepared for the USAID Market Access Program under contract number 294-C-00-99-00060-00

Prepared by Richard O'Sullivan, Senior Vice President, The Forbes Group

January 2001



FORWARD

For most Palestinian businesses, the current crisis creates great uncertainty about the future, and increases risks and financial losses. In such a business environment, crisis is a time of danger and opportunity. Business leaders know that their current investments are at great risk. Divestment to minimize losses is an immediate priority. At the same time, there is greater awareness of the need to think more carefully about the future. Uncertainty about the future status of a Palestinian state and the business environment requires strategic thinking that drives planning and action.

Against this backdrop of crisis, the Market Access Program (MAP) organized a delegation of nine business leaders representing the Palestinian Trade Center (Paltrade), the Palestinian Information Technology Association (PITA), and the Palestinian Tourism Group (PTG). The delegation embarked on an eight-day trip to Washington, D.C. in December. The purpose of the trip was to explore new models of business leadership and organization. The group used the strategic management process, a classic tool for corporate planning, to rethink the future of the Palestinian economy.

A market-oriented economy led by the private sector, the economic philosophy articulated by Minister Maher Masri on behalf of the Palestinian Authority, requires strategic thinking and careful assessment about the opportunities and threats in the global market. Global market trends are no longer “out there somewhere”. Global factors must be carefully considered and understood, and factored into any future organizational strategy to ensure that future investments have the greatest potential for success. “Investment” in this context means not only the individual investor’s risk, but also the collective investment in existing and new organizations of the Palestinian economy.

The delegation listened to many perspectives on topics relevant to developing a strategy to reposition the Palestinian economy in global markets. The topics discussed by small groups of selected speakers included:

- U.S. perceptions of Palestinian business practices;
- Market entry strategies into the U.S. market;
- The association industry in the U.S. and worldwide; and,
- The latest trends and business models of associations.

One challenge facing the delegation was the conversion of learning from the American experience, to the effective application of adapted association models to the Palestinian environment. While there is limited tradition of collective action in the Palestinian Territories, one important assumption is that a Palestinian economy must achieve efficiencies and economies of scale to compete effectively.

Business associations are the organization design that build virtual communities through inclusive membership and create the market place for services that assist businesses to compete effectively. Associations represent the “public” or “collective” interests of an industry or group of professionals or

businesses of the private sector that work together to serve their customers better, and to achieve improved business and economic performance.

Our strategic thinking had to adapt these concepts into the Palestinian business community. We focused on three critical issues: the customer's customer, the strategic management process, and strategic thinking to take control of volatile market conditions.

While associations vary in their organization design, membership focus and services mix, one underlying theme of a successful association is market focus. More specifically, a focus on *the customer's customer*. The association must provide value-added services that assist business members to serve their customers more efficiently and effectively. Associations that rely on membership dues as a primary source of income generally lose their market focus and relevance. The customer's customer concept means that the association must be at least as concerned about market trends and the best interests of the customers of the members they represent, as the association's members themselves.

The strategic focus on market factors and the customer's customer established a new beginning for strategic thinking about the role of associations in the Palestinian economy. Paltrade was the new model for the group to implement the *strategic management process* to develop a new strategic framework for the Palestinian business community. Strategic consideration of external opportunities and threats of the global market—including international, regional and local market trends—highlighted social, technological, economic, environmental and political issues. From this wide array of issues, the group selected the strategic variables that will be the drivers of the future Palestinian economy. Stability or instability and open or closed economic governance systems were the drivers that determined four strategic scenarios that focused the groups strategic thinking: stable/open, stable/closed, unstable/open and unstable/closed.

How can Palestinian business leaders take control of their future during market volatility, in a situation that is unstable and uncertain? The only way to cope with market volatility and uncertainty is through *strategic thinking* about four very distinct scenarios that allowed the group to synthesize the core needs of their customers under any future outcome.

This empowered the group to focus on the most important requirements of improving the competitiveness of Palestinian businesses. Most importantly, the strategic management approach provides the rationale for new business leadership to deal with market uncertainty and volatility.

This report provides a detailed account of the delegation's experience and work in Washington. The experience was the beginning of a change process for business leadership and organization in the Palestinian economy. The strategic management process provides the tools for effective business leaders to guide thinking, planning and action for a new Palestinian economy.

MAP is committed to working with our partners in fully implementing the strategic management process for all business associations that want to improve their own performance in order to effectively assist Palestinian businesses to increase profitability, market share and competitiveness in global markets.

James Packard Winkler

Director

Market Access Program

EXECUTIVE SUMMARY	6
RECOMENDATIONS AND NEXT STEPS.....	10
ORGANIZATION OF THE REPORT	12
THE STRATEGIC MANAGEMENT PROCESS.....	13
<i>Step One: Scanning the Environment.</i>	<i>13</i>
<i>Step Two: Scenario Building.....</i>	<i>15</i>
STRATEGIC PLANNING	16
STRATEGIC IMPLEMENTATION	17
RECOMMENDATIONS AND FOLLOW-UP: (TO BE COMPLETED) ...ERROR! BOOKMARK NOT DEFINED.	
PREPARING FOR PALTRADE'S SCENARIO PROCESS.....	20
CREATING SCENARIOS: WORKING WITH AMBIGUITY	20
THE SCENARIO PROCESS: LOOK BEYOND YOURSELF	21
THE NEED TO WORK IN A CONTINUUM.....	22
PALTRADE'S SCENARIOS.....	23
THE ENVIRONMENTAL SCAN.....	23
<i>Social Issues:</i>	<i>23</i>
<i>Technology:</i>	<i>23</i>
<i>Economic:.....</i>	<i>24</i>
<i>Environment:</i>	<i>24</i>
<i>Political:</i>	<i>25</i>
POLAR OPPOSITES IDENTIFIED	25
OUR OWN WORST ENEMY (INDEPENDENT/CLOSED SYSTEM).....	0
OUR OWN WORST ENEMY (INDEPENDENT/CLOSED SYSTEM).....	28
THE RIGHT TRACK (INDEPENDENT/OPEN SYSTEM)	29
PRAGMATISM (STATUS QUO/OPEN).....	31
SURVIVAL (STATUS QUO/CLOSED SYSTEM).....	32
FOUNDATIONS FOR THE STRATEGIC PLAN.....	32
<i>But what needs to be unique to Paltrade?</i>	<i>33</i>
PURPOSE	33
VISION.....	33
MISSION.....	33
PALTRADE ASSOCIATION BUILDING WORKSHOP	34
SESSION #1: FIELD TRIP TO AMERICAN SOCIETY FOR SOCIETY EXECUTIVES	34
SESSION # 2. MANAGING BOARDS AND MISSION IN TIMES OF CHANGE.....	34

SESSION #3. PROMOTING AND MARKETING THE ASSOCIATION AS A BRAND	35
SESSION #4. SHIFTING TO NON-DUES REVENUE MODELS	35
SESSION #6: APPEALING TO THE ARAB-AMERICAN BUSINESS COMMUNITY	36
SUMMARY OF SURVEY RESULTS.....	38
TWO MAJOR CATEGORIES OF RESPONDENTS	38
BUSINESSMEN WITH EXPERIENCE IN PALESTINE	38
TOUR OPERATORS	39
U.S. BASED ORGANIZATIONS SERVING PALESTINIAN AMERICANS	40
APPENDIX: FLIP CHART TRANSCRIPTIONS	41
DESCRIPTIONS OF FUTURES.....	41
<i>“Our Own Worst Enemy”</i>	<i>41</i>
<i>“The Right Track”</i>	<i>42</i>
<i>“Pragmatism”</i>	<i>42</i>
CHARACTERISTICS:	43
<i>“Survival”</i>	<i>43</i>

EXECUTIVE SUMMARY

From December 13 through December 21, 2000 a delegation of Paltrade board members, who comprised the association's strategic management team, met in Washington, DC, USA. The purpose of the trip were threefold:

1. To learn about the American model for associations and association management
2. To be introduced to the concepts and process of strategic management
3. To craft a new purpose and mission for Paltrade and to adopt a sustainable business model to achieve the stated goals of the organization.

Through a number of sessions with association leaders representing a wide range of industries, the team learned the unique capabilities that the association sector offers and the successful strategies that these leaders have adopted. With this insight, the strategic management team would create a new, self-financing vision for Paltrade that would allow the organization to shift from its donor-driven, dues dependent business model to one that would assure self-sustaining activities that would best benefit the Palestinian economy.

In addition to learning about the dynamics of the association sector, The Paltrade board also was introduced to the strategic *management* process. More expansive and demanding than just strategic planning, which is but a part of strategic management, this process, explained in detail below, provided the Paltrade board with a new approach to developing strategies, budgets, and organizational models.

Using this new approach and the insights, the strategic management team could create a new vision and mission for Paltrade that would endure regardless of the outcome of the current or future peace efforts. These simple statements would also equip both Paltrade's board and staff with the benchmarks needed to assess the organization's success in a timely, objective fashion that would limit the political infighting that often defeats associations from the very start.

Results

From this training and insight the Paltrade strategic management team created a timeless purpose, a clear vision, and an articulate mission statement, including a list of lines of business from which a simple, direct, and unequivocal strategic plan and budget could be written. As ambitious as this project was, the Paltrade representatives proved themselves to be quick studies and insightful thinkers that brought them very close to actually drafting the strategic plan while they were here. We are confident that with two more days, they would have accomplished that feat as well. Even so, the team did reach consensus on several key goals for the new Paltrade.

1. Think the unthinkable

Since the future is unknown, we all need to plan for undesired as well as desirable futures. In order to assure success, Paltrade needed to consider how it would survive in difficult as well as benign environments. Through the scenario process, the strategic management team undertook the difficult assignment of plotting a future in which their cherished dreams did not materialize as well as examining the possibilities of a future for an independent Palestine. This proved to be an extremely difficult process for the group. However, through this demanding experience, the strategic management team was able to craft

a purpose, mission, and strategies for Paltrade that would appeal to the needs of the Palestinian business community regardless of the greater political environment of the Middle East.

2. Focus on the Customers' Customers.

To be truly forward looking, Paltrade must shift its purpose from an organization that simply supplies services to its members to one that provides true value as a partner in their members' success. To achieve this, Paltrade must look beyond the member and identify the needs of their members' customers and then determine what skills, services, and support their members should have to meet their customers' needs. By developing a better understanding of how the markets into which Paltrade's target firms sell would change, the team was able to identify

- New products and services for their current membership/customer base
- Emerging types of members/customers
- Potential allies, partners, competitors, and threats that otherwise would have gone undetected.

3. "Dues is a trap"

To assure success and remain responsive to the changing needs of the market over time, successful associations build financial models that are far more dependent on fee-for-service revenue than on dues. Associations that are overly dependent on dues are insulated from change, exposed to an "entitlement" attitude by members that can exhaust resources, and create internal fiefdoms and pet projects that long outlive their usefulness. On average, American associations obtain only 40 percent of their revenue from dues. At the most successful associations introduced to Paltrade, dues accounted for only 30 percent of revenues. Dues should only be used to finance overhead and "free-rider" programs.

4. Be Inclusive, Not Exclusive

Associations have constituents, customers, and allies as well as members. All who benefit from Paltrade's activities should be allowed to participate - and pay for the privilege. But that does not necessarily make them members.

Fee-for-service programs allow those outside the association's core market to participate without imposing the overhead associated with membership. By expanding Paltrade's vision of service beyond its immediate membership will help them to

- Identify new members more quickly
- Create other constituencies who will have a vested interest in Paltrade's success
- Expand the association's reach and influence without stretching limited internal resources

5. Strategies drive budgets. Don't let the budget drive the strategy

In its last effort, Paltrade first tried to set a budget based on an arbitrarily set membership price of \$500. Then they tried to determine what they could accomplish with that much money. This approach is doomed from the start. Successful associations, just like successful businesses, first identify customer needs. Then they design product and service offerings. Estimate the market size, resource requirements, and operations and *then* set the price. Successful associations are run the same way. The Paltrade strategic management

team realized that they must first figure out what they will do for whom. And only then figure out how it will be paid for.

6. Focus on Core Purpose

Successful associations measure their success in bank balances, not member counts. Membership drives, sign-up incentives, and discount programs rarely sustain an association if its core businesses are not well formulated and understood. Member services covered by dues and fee-for-service activities must meet three criteria before being added to the association's strategic plan. All association activities should be:

- Consistent with the image and purpose of the association
- Competitively priced
- Unique to the market and not easily replicated.

7. The board steers. The staff rows.

As with many association boards comprised of strong, successful industry leaders, Paltrade suffered from a board that was often overly involved in details while sometimes ambiguous in overall direction. Paltrade suffered from a lack of understanding of the proper roles and limits for the board and the staff. By reaching a consensus of their own, and not having one proposed by outside consultants, the strategic management team not only gave Paltrade an unambiguous purpose, it also established the performance standards for the executive director and the staff.

On accepting this purpose, the board should treat its strategic plan as the contract with the executive director and staff and step back. Boards should not be involved in the daily operation of the association. With a clearly defined set of objectives and performance measures, the staff should clearly understand what needs to be done.

The Result

In this process there were "results," not "recommendations." To be truly successful, the purpose, vision, mission, and, next, the strategic plan and budget needed to be devised by the strategic management team through consensus achieved by the strategic management team. These conclusions had to be their own and not delivered by a consultant or recommended by outsiders for acceptance by the board. That was perhaps the fatal flaw from the very inception of the original Paltrade.

Leaving how they achieved the consensus for the bulk of this paper, the strategic management team arrived at the following consensus for their organization:

Purpose: Paltrade exists to build a strong, competitive, and socially responsible Palestinian private sector.

Vision: Paltrade will become the Palestinian address for the promotion of investment and trade both locally and globally.

Mission: The mission of Paltrade is to market Palestine by:

- Advocating a competitive and transparent business environment,
- Fostering international business practices and standards among professionals and organizations,

- Facilitating networking and information exchanges for companies competing for customers and resources in global markets.

Each of the three last bullet point now become the core business lines for the organization. Any product or service that does not achieve those goals should not be pursued. Even those that do must meet the additional litmus tests listed above.

RECOMENDATIONS AND NEXT STEPS

1. Write the plan: The remaining step to complete the process is to actually write the strategic plan and the operational plan, also referred to as the budget. The strategic management team needs to meet once more to craft a 3-year strategic plan. Any period less than three years leads to micromanaging by the board. Given the degree of uncertainty in the world, any plan of more than three years is probably wrong. The strategic management team needs to:

- Determine what goals and objectives should be established for the three business units identified in the mission statement for the next three years
- Establish priorities within and across the three business units so that if budgets fall short or exceed expectations, changes are based on established priorities and not person whim.
- Create a budget that funds all of the goals and objectives set out in the strategic plan. The budget is called the operational plan for it should simply be the strategic plan in monetary terms.

This meeting should take two days.

2. Institutionalize the process: Remember:

Strategic management is a process, not an event.

Firms that haul out the strategic plan once a year are only fooling themselves. The strategic management process needs to be institutionalized to assure long term success. This can be accomplished through the following steps:

2A. Create an on-going scanning capability within Paltrade. The environmental scanning process used for this first round was entirely introspective. A true, more objective, and deliberate environmental scanning system that is wider in scope must be established within Paltrade to aid in monitoring the success of the current plan and prepare for the next one. The board of directors should begin receiving updates on the environmental scan within six months. The good news is that properly designed and executed environmental scans become self-financing saleable product.

2B. Plan a strategic management team meeting for six months after the plan is established. Do not leave all the thinking for one meeting. To begin the process of evaluating existing programs and responding to both success and failure, the strategic management team should meet twice. First, six months after the initial plan is adopted and then three months later to add the new final year's goals, objectives, and budget to the rolling three-year plan. Paltrade may consider making some concessions to the U.S. government's fiscal year for the first time around.

The first meeting looks strictly at the strategic thinking process and saves the review of the plan for the second. At the first meeting, the strategic management team will review the scenarios, determine how they need to be changed. What came true? What never materialized? What happened that no one anticipated? How did the team miss them on the first round and could they have captured them somehow? Should they stay with the same axis labels or choose new ones? After rewriting the scenarios, the team goes through the same procedure as it did this time looking for similarities, differences, and opportunities.

2C. Create assessment and implementation criteria. Paltrade's board needs to formalize the ongoing assessment process for the executive director and help to establish the implementation benchmarks so that decisions to create and end programs and projects are made in as objective and non-political means possible.

3. Sell, sell, sell. Once this new plan is in place, Paltrade will need to establish marketing and public relation campaigns to attract members, customers, and partners in Palestine, Israel, and the Arab World. In particular it will need to work with the Palestinian Authority to educate key ministers as to the role and objectives of this new kind of association and how this new approach can benefit the Palestinian economy. The more “hands-off” role of the ministries may be difficult in some cases.

ORGANIZATION OF THE REPORT

The purpose this report is to outline process that Paltrade's strategic management team experienced in Washington. We begin with a primer on the Strategic Management process. This spends most of the time on strategic thinking and very little on the actual planning process. As it should be. I suspect, however, that most business consultants will find it tedious, as it is not packed with action statements and recommendations. Most organizations dive into the planning process with very little objective or intuitive preparation. Paltrade was no different. In order to create scenarios, one usually "front loads"

After describing what strategic management is and its steps the next two sections of the report walk through the strategic management team's progress. First we review how they arrived at the choices for the polar characteristics. Then we lead the reader through a description of each of the worlds that the Paltrade team created through simple narratives of each world.

In the next session we present how the team used those scenarios to create a purpose, vision, and mission that would succeed in all four outcomes.

In the next section, we provide a brief summary of the Association Workshops held for the group while they were in Washington.

Finally, appended to this report is a separate analysis conducted by ITI and PaL-Tech for Paltrade on the potential and risks of expanding into the U.S. Arab market.

THE STRATEGIC MANAGEMENT PROCESS

The Methodology:

To achieve the objectives of this mission DAI/MAP designed a program based on the most advanced and relevant strategic management model to business associations. The program was facilitated through a series of workshops to clarify the model and work through it, combined with selected site visits and guest speakers to ensure full understanding of the model and to integrate others' experience in the strategic management process for Paltrade.

Strategic Management Process:

The process by which an organization identifies present and future customer needs and empowers its leaders and staff to provide excellent products and services to meet those needs. This process includes three stages, thinking, planning and implementation.

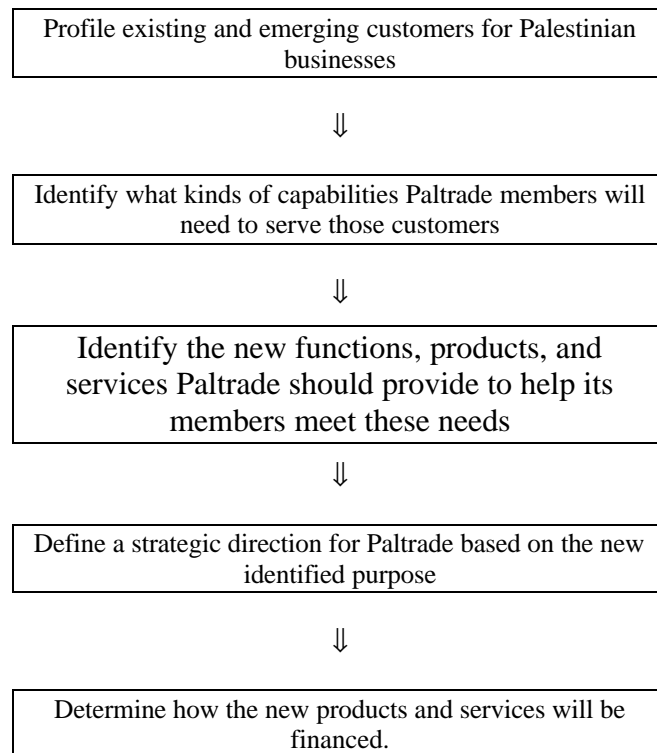
When undertaking strategic planning, most organizations ignore the first step, and jump straight into the second where they devote most of their time, and then leave little time and few resources to address the third. From a review of Paltrade's current plan, it was clear that Paltrade had fallen into this trap as well. Therefore, Paltrade's primary shortcoming was not that it had written a poor plan but that it, like many young organizations, had planned poorly. Before writing a second plan, Paltrade's strategic management team had to first look at the world around it in a new way, spending more time on strategic thinking and using the conclusions from that process to guide the setting of priorities that would in turn drive the strategic planning process.

Strategic Thinking

Step One: Scanning the Environment.

Without first thinking about what can be done, most organizations begin their strategic planning process by assuming that their services are needed and focus on supply issues such as delivery, marketing, and positioning. In effect, they ignore the entire demand side of the market equation by simply taking it for granted. The strategic thinking step in the strategic management process turns traditional strategic planning exercises upside down. Instead of asking "What do we offer, who should buy it, and can they afford it?", strategic thinking asks, "Who are our customers, what do they need, and can we provide it cost effectively?" While this shift may appear obvious and intuitive, it is usually quite difficult for most organizations, especially established ones that already have product and service offerings in place.

Focus on the Customer's customer: To accomplish this exercise, strategic managers must divorce their thinking from the organizations they manage and the products and services they produce. They must focus an un-jaundiced eye on their market that does not presuppose any particular place for their products. In fact, not only must they look beyond their own business; they need to look beyond their own customers/members. Paltrade can best serve its members by looking at how Paltrade businesses can best serve their customers. By focusing on the needs of Paltrade's members' customers, the Paltrade strategic management team can then identify what skills the members will need to best serve those customers and, going further, what kinds of products and services Paltrade should offer to help its members acquire those skills and capabilities. Graphically the process looks like this:



Plan-based budgeting, Not budget-based planning: The next hurdle faced by strategic managers is to overcome “the tyranny of the budget.” Most associations tend to estimate their potential dues and then decide what they can accomplish with that amount of money.

This budget driven planning usually fails for it divorces the development of products and services from the imperatives of the marketplace. Decisions are made based on “what can we afford?” as opposed to “what do others need?”

Paltrade’s strategic management team needed to change its thinking from dues based to fee-for-service based models. Throughout the week, Paltrade met with several trade associations and learned that most depended on dues for a minority share of its income (most commonly 30 percent). In fact, the Grocery Manufacturers Association, the one association that depended on dues for the majority of its revenue, approximately 70 percent, was the most unstable of all and was aggressively looking for ways to reduce its dues dependency.

The approach recommended was first to identify what the market demands, then determine which of those needs Paltrade could effectively and competitively meet, and finally determine how the product or service would be financed. This approach allows all ideas to be considered as well as dismiss those for which the association channel is not competitive. It also helps to identify new partners, allies, competitors, and customers/members.

Step Two: Scenario Building

The purpose of scenarios is to evaluate the potential outcomes of the most critical factors influencing your members' markets (*not your members themselves*) in order to develop:

- New constituencies
- New products/services
- Life expectancies of current offerings
- New sources of revenue beyond dues
- New partners/competitors

Scenario planning, which will be described in more detail below, is intended to force strategic managers into considering both desirable and undesirable futures. Successful strategic managers build strategies that challenge as well as support their existing businesses. Scenarios have the advantage of allowing strategic managers to examine future outcomes in which their markets are compromised or eliminated. We all need to ask what or who is going to replace us. With that advantage we can become that replacement ourselves.

In scenario planning, businesses examine potential futures and ask, “In this environment, if our business did not exist, would we start it, and, if so, what would it look like?” This is very different from asking, “How do we survive in the future?” For when managers take that approach they are tempted to begin by envisioning a benign future in which their products and services are needed.

To avoid that temptation, scenario building works up to defining multiple futures in six stages:

- 1- Brainstorm critical drivers and barriers
- 2- Select two sets of polar opposites
- 3- Describe features of each
 - a) Break into four groups to determine the political, economic, and social characteristics in each domain and report conclusions back to group
 - b) Prepare narratives for each scenario
- 4- Review as a whole how the characteristics of each domain shape the kinds of firms that will exist and what their needs will be.
- 5- Review the completed scenarios to discover
 - a) Themes and needs common to all scenarios
 - b) The decision points at which choices must be made when the needs differ
- 6- Define the organization in the future
 - a) What needs does it serve
 - b) Who are its members/customers/constituents
 - c) How are programs financed – dues vs. user fees
 - d) What are the priorities

Paltrade's efforts in strategic thinking are presented in "Preparing for Paltrade's Scenario Process"

Strategic Planning

Strategic planning takes the conclusions that were arrived at in Step 6 of the Scenario Planning process above and establishes a clear purpose for the organization that should be timeless. From the description of the organization's purpose and whom it serves strategic managers can create a mission for the organization that

- has a simple, straight forward, and unambiguous role in the market,
- has been achieved by deliberate discussion and consensus,
- readily lends itself to establishing priorities.

At this time strategic managers can create initiatives by setting clear goals and objectives for the organization while minimizing the political infighting and power plays that often accompany such exercises. The strategic thinking process has essentially established ground rules and boundaries for the organization that make many of such efforts moot. In actually, they allow such infighting, which can be very productive in the strategic thinking stage, to take place before any one view becomes institutionalized.

Some may think it odd that the strategic planning section of a strategic management process would take up a single page. But if the strategic thinking process is undertaken deliberately, the strategic plan is a natural outcome of the articulation of the organization's mission. Good strategic plans are simple and straightforward. Bad strategic plans are laundry lists of everyone's hopes and needs, regardless of their compatibility. One can easily identify strategic plans that result from strategic thinking and those born out of political compromise. The former is directed and obvious. The latter is generalized or ambiguous. The strategic plan for The Ford Motor Company fits on two sides of a single piece of paper. Paltrade's original strategic plan spans over 30 pages.

Strategic planning begins with consensus of the organization's purpose, vision, and mission.

Purpose: Articulates value do you provide and explains why the organization exists. It should be a simple declarative sentence.

Example:

The American Cancer Society: "The American Cancer Society is the nationwide community-based voluntary health organization dedicated to eliminating cancer as a major health problem."

The stated purpose of the organization should be so simple and clear that every employee, customer, and supplier know and understand exactly why the organization exists.

Vision: The vision statement clearly articulates exactly where the organization will be in the future. The vision is, in fact, outcome of a strategic plan at a future point. As such the organization's vision is the yardstick against which all activities in the plan are measured.

Example:

The National Wholesale Druggists Association: "NWDA will be the recognized authority in stimulating innovations that enhance the distributors' role in healthcare distribution and the services they provide their customers. "

Mission statement: A mission is a simple statement of the organizations businesses. It states the overall goal of the organization and lists the means it will use to attain it.

Example:

BOMA, International: “BOMA International provides a network forum for industry professionals to discuss mutual problems, exchange ideas and share experience and knowledge through advocacy, networking, and research.”

A strategic plan should:

- Set priorities
- Be achievable, measurable and time sensitive
- Be flexible and responsive to changing conditions
- Be short and simple
- Be a unit, not a menu
- Be a means to an end, not an end in itself

The strategic plan builds off the mission statement essentially assigning specific objectives and strategies to each of the goals set forward in it. Objectives identify specific outcomes and strategies state how that outcome will be achieved. Both objectives and strategies must be:

- Specific
- Measurable
- Time sensitive.

There is an old saying that the difference between a dream and a goal is a date.

Examples:

Goal:	Becoming the nation’s principal professional development resource
Objective:	Develop a business management fundamentals course series by 2002
Strategy:	Identify member business management skills needs by 2001
Task:	Conduct a member business practices survey by July 2001

Paltrade’s efforts in strategic planning are presented in “Preparing for Paltrade’s Scenario Process”.

Strategic Implementation

With an articulated mission statement and established goals, objectives, and strategies, strategic implementation, also referred to as the operational plan, is the strategic plan in monetary terms. The

operational plan and budget becomes the contract between the board of directors and the executive director. The board provides the direction for the director who oversees the staff. The board should not become involved with the day-to-day activities of the association. Stated simply, the board steers. The staff rows. Many associations lose their effectiveness when boards, or specific powerful members, exploit their positions to micro-manage program implementation.

The operational plan allows the board to manage by exception only. The executive director keeps the board informed when trade-offs emerge between the strategic plan and the operational plan. When there are not enough resources to meet all of the assigned tasks or if new issues arise, the executive director informs the board, which reviews priorities and options.

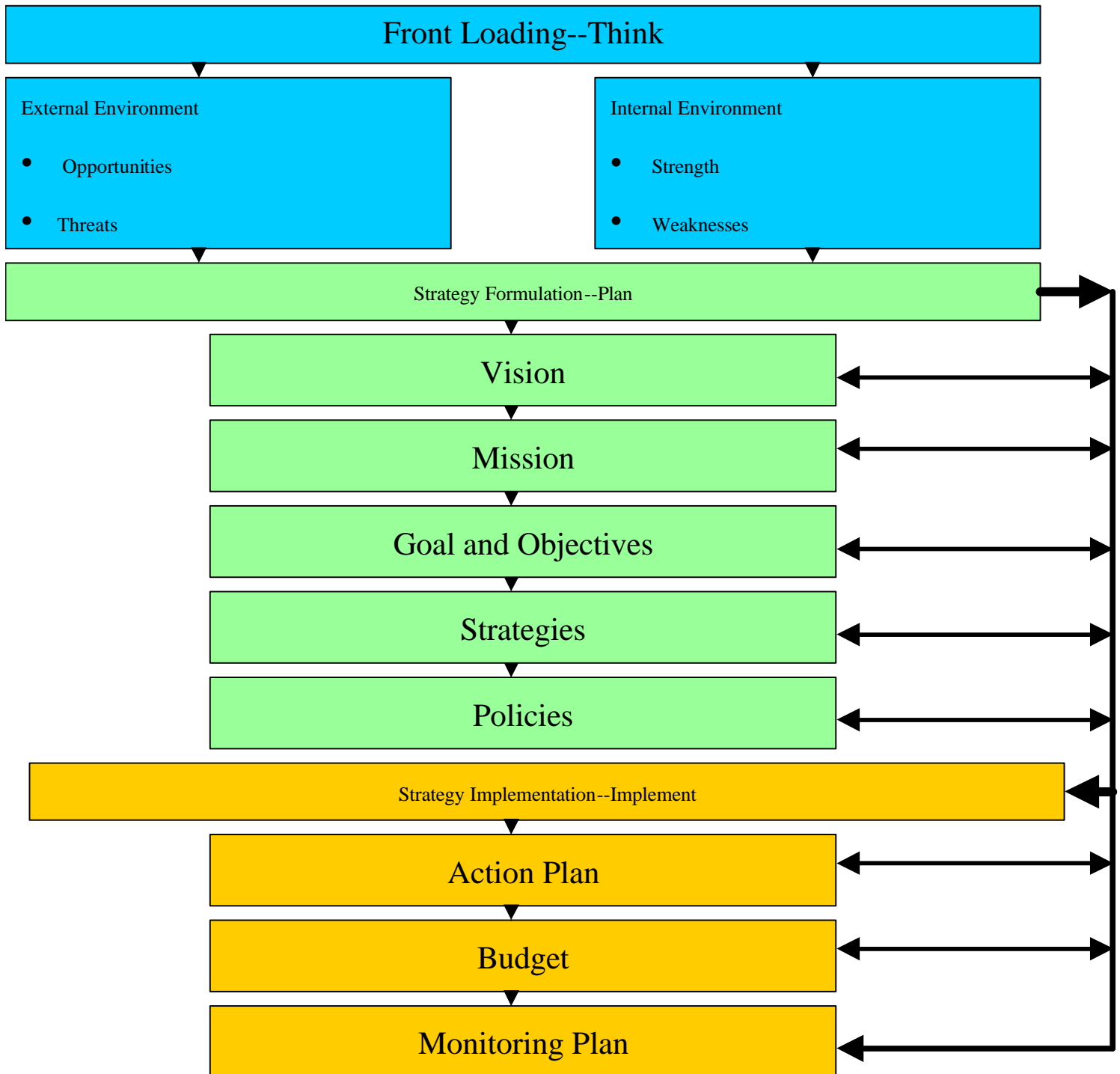
Paltrade did not reach this step yet and expected to be completed in the follow-up plan.

Possible Future Partnerships

The delegation was well received by all association representatives. The professional impression given by the group was very positive and resulted in discussions on possible future partnerships with U.S. associations. Some of the more promising opportunities that MAP and its client associations of Paltrade, PITA and the Palestinian Tourism Group may follow up on include:

- Joint initiatives for Paltrade with the U.S.-Arab Chamber of Commerce which sponsors trade delegations to the Middle East and publishes various news letters and information exchanges.
- Invitation from Nasser Beydoun, Executive Director, the Arab-American Chamber of Commerce based in Detroit, to explore joint business networking and business development initiatives in the Middle East and the U.S.
- Publications about the Palestinian IT sector and IT business initiatives with the International Committee for the Northern Virginia Technology Council (NVTC);
- An invitation from Mr. Walter Reichert, Vice President, Hewlett-Packard International Trading, Inc., to host a business delegation to Silicon Valley.
- Invitation from Molly Williamson, Department of Commerce, to organize focused trade missions to U.S. cities for qualified Palestinian companies that have specific business opportunities to offer.
- Membership for Palestinian executives in the American Society of Association Executives, and access to the highly regarded distance learning programs and participation in the Certification of Association Executives program.
- Joint marketing initiatives with the Jordan Tourism Board in North America to targeted tourism groups through wholesalers and exhibitions.
- A mentoring program and possible membership with the American Society of Travel Agencies (ASTA) to establish a standards and certification program for tourism.

Strategic Management Process



PREPARING FOR PALTRADE'S SCENARIO PROCESS

"When you come to a fork in the road, take it."

Yogi Berra

Baseball great Yogi Berra's sayings have become pop philosophy. And he probably never said most of what is attributed to him. But this quote, which is supposed to look silly, really makes a lot of sense when you apply it to the future.

First, there is no such thing as the future, at least not from the vantagepoint of today. There are multiple futures. And you need to prepare for them so you aren't blindsided by events.

Clues to possible futures are plentiful right now. The characteristics of tomorrow are observable today. For example:

- Public policy decisions that drive worldwide economic trends take years to change direction; so current economic indicators can provide us with a glimpse of the emerging economy of the 21st Century.
- Emerging technologies can be extrapolated into new products and services.
- Political trends are in place that will determine the shape of government for many years – a relatively youthful Supreme Court, the outcome of the US presidential election, the emergence of China and the decline of Russia as counterweights to US policy in the Middle East, to name a few.

Still, there is danger in projecting today onto tomorrow, no matter how thoughtfully it's done. The tendency is to assume that principles long accepted as true remain true and that the "future" runs in a straight line from the present. If we had done that in 1994, the Democrats would still control the Congress and the word Internet would not be in our vocabulary. If we had done that a dozen or so years ago, the Soviet Union would still exist and the Berlin Wall would stand. But the future really runs in all directions from the present, like Yogi Berra's forks in the road, and you have to go in all directions at once. How is that possible? By painting pictures of multiple futures using scenarios.

Creating Scenarios: Working with Ambiguity

Scenarios are stories about the way things *could* be, not as they *should* be or as we suspect that they will be. They are based on projections of today's facts and trends onto the screen of tomorrow. For that reason, scenarios are written as though the future was today and we are looking back to the present. Because there are unlimited possible combinations of the effects of those facts and trends, scenarios usually are limited to a manageable number – two to four.

Scenario building plays an important role in strategic planning because it allows participants to consider the unconsidered. Quite often strategic planning fails because participants refuse to entertain unwanted outcomes. For example, the leading reason for the failures of privately held or family-owned businesses more than 10 years old is the lack of a succession plan should the business outlive the founder. Why would a company not have a succession plan, especially when it is a common cause of bankruptcy? Quite simply, no one, especially family members, wants to contemplate the death of a founder and, very often, close relative. Paltrade, whose raison d'être was to prepare the Palestinian business community for an independent economy, had failed to build a business that could survive if that outcome, independence, did not come about in the immediate future.

Scenarios can project far out into the future, fifteen years or more. But scenario building takes practice and long future projections can be difficult. So, for purposes of Paltrade's initial work, we will limit our scenarios to the first five years of the 21st Century. In creating scenarios for the future, Paltrade needed to consider those outcomes that were possible, not just those that were preferred.

The Scenario Process: Look Beyond Yourself

At the Paltrade Strategy Mission, we focused on the future of Palestine – not the future of Paltrade. We heard presentations on important developments in association organization, management, and funding, export promotion, US Middle East policies, and the broader environment in which associations must function. These presentations were intended to be catalysts for discussion of the principal drivers of change in the world of economic development.

The Paltrade's representatives (not The Forbes Group, DAI, or MAP) determined the most crucial of the principal drivers and created a matrix that outlines four alternative futures after two days of examining what futurists call the "five spheres" or disciplines that shape future trends, social, technological, economic, environmental, and political (STEEP) drivers. The matrix is based on opposite characteristics (e.g. fast/slow, large/small, hot/cold, black/white) that have at least a 50 percent probability of being plausible. The two pairs of extremes that Paltrade representatives selected were

- Independence versus a continuation of the status quo
- A closed political system and business environment versus an open political system and business environment

Using the matrix, small groups fleshed out each possible future. Paltrade strategic management team members with MAP staff crafted scenarios that looked at, in order:

- The economic environment and public policies that would cause such a future
- The types of businesses that would succeed in that environment and be shaped by public priorities.
- The needs that those businesses would have and that Paltrade should address to assure their survival.

Each group shared its conclusions with all of participants who discussed strategic implications of each future. From these discussions, the Paltrade representatives created a final set of characteristics for each

outcome. Rick O'Sullivan has since written a narrative for each potential future. Those narratives appear below.

The need to work in a continuum

Scenario building is a process, not an event. It is envisioned that Paltrade will continue to revisit and refine the initial scenarios and implications in the future. Some of this work may be done online, some in face-to-face meetings. In this way, an expanding body of knowledge about the future forces affecting the Palestinian business environment will be developed and continuing assessment of their impact will prevent Paltrade and its members from being blindsided.

Paltrade's Scenarios

The Environmental Scan

Review of STEEP process

Social – Technology – Economic – Environment - Political

The Paltrade strategic management team began its strategic thinking sessions by identifying the following issues:

Social Issues:

<ul style="list-style-type: none">• Role of women	<ul style="list-style-type: none">• Family structure
<ul style="list-style-type: none">• Education	<ul style="list-style-type: none">• Demographics<ul style="list-style-type: none">⇒ High birth rate⇒ Very young 50-60% of population <= 18 years⇒ Increased inequality – Big income gap⇒ Few elderly
<ul style="list-style-type: none">• Cultural gap<ul style="list-style-type: none">⇒ Life style habits⇒ Priorities	<ul style="list-style-type: none">• Density varies
<ul style="list-style-type: none">• Egyptian vs. Jordanian<ul style="list-style-type: none">⇒ Influence⇒ Laws/customs	<ul style="list-style-type: none">• Regional separation
<ul style="list-style-type: none">• Generation gap from Intefata	

Technology:

<ul style="list-style-type: none">• Overly dependent on Israel	<ul style="list-style-type: none">• Low Internet penetration
--	--

• Telecom tariffs/pricing	• Immature infrastructure
• User education/awareness/access low	• Weak industrial education, know-how and infrastructure
• Highly educated professional class	• Human resources – not qualified
• Vocational education and training is weak	• Lack of I.T. skills
• Transportation weak	• Energy supply insufficient
• No R&D – little investment	• Poor maintenance lack of parts

Economic:

• No currency	• No monetary policy
• Dominant Israeli economy	• Limited household income
• Inability of mobility of goods	• Lack of community infrastructure
• High unemployment	• Few natural resources
• Weak institutional/regulatory	• No social safety net
• Difficulty to access banking/financial services	• Capital flight (institutional/banks)
• Limited experience in international markets	• Import driven/few exports
• No foreign direct investment	• Many family/small businesses
• Strong Diaspora community	•

Environment:

• Lack of water	• Lack of knowledge of surrounding environment
• Poor infrastructure (treatment plants, cleaning water)	• Pollution (land and water)
• Shrinking green areas	• No environmental plan/infrastructure for chemical manufacturing

<ul style="list-style-type: none"> • No future vision 	
--	--

Political:

<ul style="list-style-type: none"> • Occupation 	<ul style="list-style-type: none"> • Lack of stability
<ul style="list-style-type: none"> • Closures 	<ul style="list-style-type: none"> • Weak governmental structure
<ul style="list-style-type: none"> • Market fragmentation (politically driven) 	<ul style="list-style-type: none"> • Two competing governments
<ul style="list-style-type: none"> • Non-harmonized legal regime 	<ul style="list-style-type: none"> • Private politicized elements/groups
<ul style="list-style-type: none"> • West Bank and Gaza separation 	<ul style="list-style-type: none"> • Unstructured democracy
<ul style="list-style-type: none"> • Sensitive to international events 	<ul style="list-style-type: none"> • Negative image/vulnerable
<ul style="list-style-type: none"> • Strong civil society 	<ul style="list-style-type: none"> • Strong NGO structure but not necessarily efficient
<ul style="list-style-type: none"> • Limited accountability, transparency, rule of law 	<ul style="list-style-type: none"> • One-man show
<ul style="list-style-type: none"> • Changing political agendas, priorities 	<ul style="list-style-type: none"> • Economic issues are not a political priority (in practice)

Polar Opposites Identified

From these several polar opposites were discussed. They were:

- Status quo vs. Independent state
- Economically independent of Israel vs. Interdependence
- Lack of rule of law vs. Transparency (good governance)
- Weak traditional industries/firms vs. Info-based services and modern firms
- Demand driven vs. Supply driven
- Open markets vs. Closed markets
- Capital vs. Labor driven development policies
- Regional cooperation vs. Lack of regional cooperation

From these two different but plausible extremes were selected. The final scenarios chosen:

Status quo vs. *Independence* and *Closed systems* vs. *Open systems*. The group named each future after they had been created and discussed.

Note: Closed systems tend to be supply driven, lacking transparency, with labor-centric and import substitution public policies. But the degree to which they apply will vary from domain to domain.

THE SCENARIOS

INDEPENDENT

Our Own Worst Enemy

The Right Track

CLOSED

OPEN

Survival

Pragmatism

INTERIM STATUS

OUR OWN WORST ENEMY (INDEPENDENT/CLOSED SYSTEM)

After the new Bush administration introduced the most isolationist U.S. foreign policy since the post-Viet Nam backlash, America's role in the Middle East began to fade as the public debate in the U.S. was driven by almost exclusively by domestic concerns. The European Union stepped into the vacuum created by the decline in U.S. presence and took on a more dominant and even-handed role in brokering a peace accord in the Middle East. With its staunchest ally grown silent and, more importantly, parsimonious, Israel, unable to finance its occupation internally, finally agreed to an independent state and Palestine was officially born.

However, after 50 years of struggle in which autonomy among separate Palestinian independence groups was necessary, consensus now became elusive as rival groups strove to block each other from gaining the upper hand in the new government. Unfortunately, this political infighting prevented a transparent governing system from forming. A large bureaucracy began to evolve to satisfy different groups and offset internecine jealousies as each faction carved out its claim on domestic policy. A large, top-heavy, and heavy-handed public sector emerged as the primary catalyst in the Palestinian economy. The cronyism traditionally created by such a regime led to widespread concealed unemployment that reduced the competitiveness of the private sector in the domestic labor market and, hence stunted both new business formations and the growth of existing firm.

Most private sector firms remained small, family-owned businesses in order to avoid taxes and to skirt the growing lists of regulations that were devised for political ends rather than on economic rationale. The business community remained dominated by traditional industries such as tourism, stone, and agriculture. The inefficiency of the bureaucracy stunted the development of the telecommunications and transportation infrastructure needed to foster so-called "New Economy" industries such as information technology and limited GDP growth. It also encouraged many young educated Palestinians to join the Diaspora.

The Byzantine regulatory system also discouraged foreign and domestic investment as well as joint ventures with foreign firms, which further slowed technology transfer and innovation. In fact the entire financial sector suffered from the lack of foreign capital transfusions which in turn further fueled the tendency toward cronyism.

The construction industry also suffered from the lack of private sector capital investment. This gave even greater impetus to the government to sponsor its own construction projects often with little regard to economic justification.

In this environment business practices, accounting standards, and training needs were all but exclusively driven by public policy. Aside from the one need to accommodate government bureaucrats, the business community developed as separate, industry specific, individualized businesses. Contacts with foreign investors and customers were handled at the industry level.

THE RIGHT TRACK (INDEPENDENT/OPEN SYSTEM)

In the summer of 2001 just as the Congressional budget debate was warming up, political forces in the United States, facing the first recession in a decade quickly warmed to the aggressive tax breaks for which the Bush Administration campaigned. However, both Republicans and Democrats were loath to attract criticism for re-igniting deficit spending. The tax cuts, therefore, were paradoxically coupled with steep spending cuts to maintain a balanced federal budget. However, these cuts proved to be insufficient to match the declines in revenue caused by both slower economic activity and reduced tax rates. This led to even sharper spending cuts in 2002. In this round, foreign aid was targeted specifically.

As the recipient of 75 percent of total US aid, Israel was far and away disproportionately impacted. Of equal importance was the severe public relations damage Israel had to absorb as spending cut advocates hammered away at Israel's culpability for the continued unrest in order to justify to the public a pullback in America's 50-year unqualified commitment to its ally. When added to an already anemic tourist market, thanks to the more bellicose posturing of the Sharon government and increasingly unsympathetic global headlines, and weaker exports to both the US and Europe, the loss of American foreign aid put the Israeli economy in its most vulnerable condition in a generation. The New Shekel plunged in value despite crippling interest rates designed to attract capital investment. Deficit spending that the international investment community labeled "reckless" led to further economic weakening, accelerated inflation, and more retrenching of foreign capital. The emerging fiscal crisis quickly fueled domestic unrest as spending was slashed on a broad range of programs from the social safety net and socialized medicine to the defense of the settlements. Without US aid to bolster domestic spending, Israeli authorities almost literally had to choose between guns and butter. The foreign credit markets set the price for fiscal solvency at nothing less than a permanent peace with Palestine. To the surprise of most, the deal was actually struck.

However, with peace came the recognition on both sides that the two economies were far too intertwined to actually separate economically. But now, with political hostilities pushed aside, both Israeli and Palestinian businesses could develop more economically rational business alliances and divisions of labor. Joint Palestinian/Israeli ventures and cross border alliances and ownership, especially in high tech industries and business and financial services, became commonplace.

In the new Palestine, start-ups soared as local, Israeli, and international investment came to call. With distinct wage advantages, Palestinian businesses, which now functioned as near equal partners with Israeli firms, took on more skilled labor. The demand for skilled and educated workers soared. Shortages of highly technical workers, especially in telecommunications and information technology, led to a campaign to encourage the most talented Diaspora Palestinians to return. Education and public health became the leading policy concerns of the fully functional Palestinian government.

Because of the need to respond quickly to labor shortages, private sector initiatives, more so than government project, replaced NGO programs in both fields. The critical bottleneck for economic expansion was the lack of technically advanced infrastructure. To meet this need, construction activity picked up sharply as private sector foreign investment replaced public work projects as the primary construction industry market.

However, Palestinian businesses quickly learned that the business practices of a generation of occupation were holding back expansion activity and dampening investment. Transparency and broad-based standards development in business practices became critical in building alliances on the global level. In this more globally driven investment market international networking replaced the "old boy" network from the occupation days. The demand for financial related services and business and planning consultants rose sharply. In this faster paced, more open environment, accurate and timely information regarding new rules and market data, as well as better marketing know-how, became absolutely essential to any Palestinian firm's success.

In the absence of mature legal traditions, private sector sponsored arbitration rules needed to be developed quickly. The association sector played a crucial role in this arena, even eclipsing the more formal legal institutions, at least temporarily.

The business and financial sectors quickly realized that transparency in the public sector was also absolutely necessary to meet the needs of a globalized market. However, effective and transparent government regulations did not come naturally to the leaders of the Palestinian Authority who for a decade had been forced to work “between the lines.” Leadership from the business community was required to foster such developments. Lobbying and advocacy needed to be coordinated across industry sectors, now more than ever.

Pragmatism (STATUS QUO/OPEN)

As the violence in the Occupied Territories continued in to 2001, the extremely disproportionate death count became hard for even the American press to ignore. As public opinion began to shift in the United States, the newly elected Bush Administration, well-stocked with Gulf War veterans including Vice President Cheney and Secretary of State Colin Powell, began to pressure the newly elected Sharon government to reach and accommodation with the Palestinian Authority. The Israeli government and the Palestinian Authority struck a bargain that allowed for greater autonomy within the Occupied Territories without sacrificing Israeli control over extra-territorial movements.

As a result, little has changed within the Palestinian territories. Traditional, independent, and family-owned businesses have continued to dominate the economy. In this environment, subcontracting through Israeli companies remains the safest, though limited, means of new enterprise development. The economy enjoyed a brief burst of growth as sharply reduced transaction costs boosted productivity. However, following those gains, the standard of living has stagnated. Still, Palestinian businesses have been slowly increasing their share of added value in joint ventures and a middle management cadre has begun to grow.

While “New Economy” industries, such as IT start-ups, have enjoy some gains, they are few and tend to be stand-alone firms, more dependent on Israeli joint ventures than internal coordination. Turnover in businesses has remained high as small businesses, with limited access to capital, enter and leave the market frequently.

Capital investment has remained limited and NGOs continues to play an important, though less obvious, role in the economy. Commercial financing is available but very conservative. On the positive side, Palestinian banks are more willing to invest locally now that an agreement that prevents arbitrary border closings is in place and monitored by a joint United States-European Union commission. Still to insulate themselves against potential risks, offshore holding companies are frequently used to allow capital flight if necessary. As a result, regional activity rather than global trade dominates export markets.

In this more autonomous relationship, a more formal Palestinian economy has begun to emerge as formal commercial practices, a more educated managerial class, and joint venture partners push for transparent government regulations and more structured business practices. Still these businesses find that they must direct their advocacy efforts toward the Israeli government, although subtly and indirectly, as much as they do to the Palestinian Authority. Palestinian businesses need substantial guidance to maneuver through the permitting processes of two bureaucracies, and enter in to Israeli joint ventures when they are disadvantaged almost by definition. With the change in the subcontracting relationship, many Palestinian firms need assistance in approaching venture capitalists and create targeted market access strategies.

To help the business community and the entire Palestinian economy, the Palestinian Authority has launched a global public relations program to encourage capital investment and technology transfer. In this environment political and economic concerns hold equal footing with the Palestinian Authority.

Survival (STATUS QUO/CLOSED SYSTEM)

Despite the continued bloodshed, the new American administration, which made no foreign policy pretensions on the campaign trail, was more introspectively focused on pushing through its promised tax cuts and other domestic issues to concern itself with an issue closely associated with - and an embarrassment to - the previous administration. With what constitutes “national interests” extremely narrowly defined by its foreign policymakers, the Middle East conflict rarely appeared on the Bush Administration’s agenda except as damage control when occasional outbursts of violence brought it to the front page.

For its part, the newly elected Sharon government, with a mandate to “get tough,” suspended discussions with the Palestinian authority indefinitely. Access to foreign markets, especially regional markets, was tightly controlled. Arbitrary border closings, as economic punishment, which rarely resulted in headlines or criticism outside the region, remained the principal non-military tool to “punish” Palestinian agitation.

In this environment, the Palestinian Territories remained heavily dependent on the Israeli economy for short-term activity and on NGOs for long-term infrastructure investment. Israel used American compliance to limit NGO activity in developing a modern telecommunications and transportation needed to make businesses in the occupied territories serious contenders in the information technology markets. What few infrastructure projects exist are either NPA or NGO run. In fact, the public sector dominates the construction industry as well as utilities.

Traditional family-owned businesses in the tourist, agricultural, and subcontracted manufacturing continue to dominate the economic landscape. Failure and turnover rates have been extremely high accelerating both the capital flight and brain drain that further compromise the local economy. The Palestinian Territories are essentially silent partners to Israeli economic development. The only market that is flourishing is the Black Market as chronic shortages of raw materials and capital have forced much of the cash-driven economy underground.

Import substitution at the macro level and rent-seeking behaviors at the micro level drive the policies of the Palestinian Authority, when corruption isn’t present, and non-tariff barriers when it is. Weak and ineffective government institutions rarely actually deliver on the few services they offer as the underground economy limits tax revenue. This has further compromised the PA’s credibility. As a result, NGOs are seen as the real public service providers in the Territories.

This is a world of “survival politics” with every industry for itself. Industries compete for government favor to assure that limited resources serve them first. The central authorities are not so much lobbied as “influenced” as transparency is a fool’s game.

FOUNDATIONS FOR THE STRATEGIC PLAN

The Paltrade strategic management team reviewed and discussed each of these futures to identify common themes, business needs, and market positions that Paltrade could assume regardless of the outcome. It also examined the differences among these environments to be sure that the purpose, vision, and mission of the organization were not wedded to a particular outcome.

The strategic management team found the following statements true of each scenario:

Build an environment that maximizes members potential and increase company value

Businesses will require a credible private sector organization to promote professional practices and business standards to enhance competitiveness locally and globally for customers and resources

There is a need to work across business communities and industries.

Global market standards and linkages will be key to the economic well being of Palestine.

But what needs to be unique to Paltrade?

In order to assure the long-term financial health of the association, Paltrade's mission and the business activities that are drawn from that mission cannot just be needed. In crafting that mission, the Paltrade strategic management team was also identifying a role that Paltrade can provide

- effectively,
- credibly, and
- competitively.

The strategic management team also identified Paltrade's customers' customers as employers, employees, suppliers, buyers, retailers, wholesalers, and end-users. With all of this in mind and, notably in a closed session without Rick O'Sullivan or Jim Winkler, the programs two facilitators, present, the strategic management team reached consensus on the following:

PURPOSE

Paltrade exists to build a strong, competitive, and socially responsible Palestinian private sector.

VISION

Paltrade will become the Palestinian address for the promotion of investment and trade both locally and globally.

MISSION

The mission of Paltrade is to market Palestine by:

- Advocating a competitive and transparent business environment,
- Fostering international business practices and standards among professionals and organizations,
- Facilitating networking and information exchanges for companies competing for customers and resources in global markets.

PALTRADE ASSOCIATION BUILDING WORKSHOP

The strategic management sessions were intermixed with six programs designed to educate the Paltrade strategic management team on important aspect of association management. A brief description of each and a summary of the strategic management team's interpretation of them follows.

Session #1: Field trip to American Society for Society Executives

Overview: 1) Short overview of nonprofit sector globally; 2) overview, history and impact (Social, economic, political) of associations in the US 3) legal criteria for tax-exempt associations; 4) association governance trends; 5) overview of ASAE, membership, services, products, dues and non-dues revenue strategies.

Speaker: Edward L. Potter, Director, Global Resource Center, ASAE

Team Discussion Notes:

Clear, concise mission statement needed

Broad membership categories

Very market-oriented / customer needs clearly understood

High investment in business information / Internet

Diversified services (Standards, certification programs, education, publications, conferences)

Different cultural environment

- NGOs more accepted
- Clear public and private roles
- Inclusive vs. exclusive

Self-sustaining / viable

Association "business" models

Trend setting

Added value for customer's customer

Session # 2. Managing Boards and Mission in Times of Change

Overview: Changing the direction and mission of any organization can be difficult. For associations it can be financially challenging and politically hazardous. A leading expert who has successfully repositioned two associations, and in some cases their members, explained the challenges and strategies as to how best manage profound change.

Speaker: Robert Angle, Executive Director, Building Owners and Managers Association

Team Discussion Notes:

Three different issues

- 1- What are associations about? (Rethinking of the economic parameters)
- 2- Figure out the work, then decide the structure
- 3- Model of associations

BOMA created a BOMAI certification institution

How leadership should lead members? (survey techniques, environmental scan)
Education at BOMA is extremely important
Differentiate between national and local chapters

Session #3. Promoting and marketing the association as a brand

Objective: There are organizations that promote their members directly. Others, especially those who sell commodities or those who sell highly differentiated products by small firms have created programs that promote the quality control of the association as the assurance of the quality of the members' goods or services. These association executives discussed how such a program is developed and maintained both on a domestic and international scale. The delegation was also invited to observe a press conference for the Northern Virginia Association of Realtors at the National Press Club in Washington, DC.

Speakers: Allen Terhaar, International Cotton Council and Christine Todd, National Association of Realtors

Team Discussion Notes:

First, need to understand the mission and vision of the association
By sharing information, the members will do more and profit collectively
Association does not show favoritism
Speak on behalf of the profession = credibility
Promote to the public, the valuable services they provide
The members can do collectively what no single company can do on its own
Join up with other associations for public advocacy; protect the public
Lobbying
Help create the market and work for the public good
Promote a good business environment
Market the profession with the media
Public service announcements
Create a common logo as a sign of quality
A code of ethics and standards of practice (the public can file a complaint)
Work for members and public

Session #4. Shifting to non-dues revenue models

Objectives: Most US associations have begun to realize that dues-based association models are becoming less viable. As one speaker said bluntly, "Dues is a trap." The dues-based all-or-nothing package deal is increasingly less preferred as member firms become more heterogeneous and a sense of industry or professional responsibility wanes. Three experts in creating non-dues revenue programs explained how a shift from dues to value added services can enhance the viability and increase the responsiveness to member needs and in turn the value of the association.

Speakers: Sara Fogherty, Grocery Manufacturers Association, Peter Hermann, ARMA International, Steve Zaleznick, AARP.

Team Discussion Notes:

Bring things to people that they could not have on their own
Insurance: health, home, auto
Discount program: travel, hotels
Revenue generating activities follow the priorities of AARP
Example: Healthcare services = Advocacy on medicine

Session #5. Creating and managing a certification process

Overview: From the field research conducted in September and October, it became clear that promoting transparent business practices, educating its members on global business responsibilities, and developing the customer service capabilities needed to compete in the global marketplace are essential building blocks that must be achieved before Palestinian businesses can credibly attract foreign buyers or venture capital.

Rather than promote individual businesses, we proposed that Paltrade endorse and promote a set of business practice standards and certify member compliance. Certification programs can provide members with an immediate return to investment, as opposed to dues, and are thus very attractive to potential members. Also, certification programs are often the primary source of revenue for associations that create them. Three associations have been extremely successful in creating a certification that have in turn become internationally recognized “brands” that assure quality. Each has been invited to participate in this workshop and discuss the problems and opportunities in creating and managing certification programs and standards.

Speakers: Todd Bostick, National Council for Interior Design Qualifications, Linda High, American Society of Travel Agents

Team Discussion Notes:

- Logo is very significant benefit for members
- Educational standards
- Monitored experience program
- Networking, education, site-inspection
- Community sharing ethical values
- Percentage of revenues from certification services
- Code of ethics is a standard
- Self-policing & mediation is a standard
- Value in membership
- Build brand equity and awareness
- Ability to respond to legal / legislative issues

Session #6: Appealing to the Arab-American Business Community

Is the Diaspora Palestinian community a potential source of members, donors, or partners? Or would the demands of maintaining long-term relationships over long distances prove to be a distraction from Paltrade’s core businesses. Research conducted jointly by ITI and Pal-Tech as well as the experiences of the American-Arab Chamber of Commerce were presented. A copy of the ITI/Pal-Tech report follows.

Speakers: David Reidenbach, ITI, Nassar Beydoun, American-Arab Chamber of Commerce.

Team Discussion Notes:

- Voice that represents the community and members
- 850 members
- Promoting members products and services
- Educational and information services
- Networking opportunities
- Membership dues: 30%
- Short simple mission: “building economic bridges”
- Image change: logo
- Professional staff

Programs and services:

- Benefits package
- Government liaison; local, state and federal
- Fundraising: Annual Banquet; 1400 persons; 120 companies
- Corporate sponsorship

Bi-monthly newsletter
Directory
Networking events

SUMMARY OF SURVEY RESULTS

A telephone survey was conducted between November 27, 2000 and December 8, 2000 to get some idea of the kinds of services Paltrade could provide to members of the Palestinian American or Arab American community in the U.S. and to ascertain their interest in becoming a dues paying member of an organization like Paltrade. Twenty-nine persons were interviewed for the survey, 18 by David Reidenbach of International Technology Investment (ITI) and 11 by Yazan Abdel Rahman of PaL Tech. The survey was not in any way intended to be a statistically valid quantitative survey. Rather the intent was to ask a series of questions which would elicit replies which might give some guidance to Paltrade as it considers expanding its membership internationally. The questions used in the survey are attached to this summary.

Two Major Categories of Respondents

The respondents to the survey can be broken down into two major categories. One would be those businessmen who had attempted to import or export goods to or from Palestine or to make an investment there. Eleven of the respondents fell into this category. The other category would be those Palestinian or Arab Americans who have an interest in Palestine, but have never tried to do business there. Thirteen of the respondents fell into that category.

Businessmen with Experience in Palestine

The Palestinian American businessmen who had done business, or attempted to do business in Palestine, had almost uniformly negative views on their experiences there. Only one of them was really familiar with Paltrade and had visited the Paltrade website -- which he did not find particularly useful. Their frustrating business experiences in Palestine seemed to make these businessmen lose interest in further dealings there, and they had very little interest in any information Paltrade could provide about trade leads or doing business in Palestine. The one exception to this was a person with an office in Ramallah for software development who had a more positive outlook. Some of the comments these businessmen made were as follows:

“You will never find anyone who has tried harder to invest in Palestine than me. Since 1993 I have gone there 8 times. I have a good feasibility study, financing, joint venture partners, and land. Yet I am still blocked.” -- *Potential investor.*

“There are a lot of highly educated people working in business development in Palestine, but they are not working together.” -- *Potential investor.*

“I went to the West Bank about 10 times looking for a good food manufacturer to deal with and never found one.” -- *Food importer, now importing from Israel.*

“Hey, I sympathize with the Palestinians and all that, but I’m here to make money. If I can help them and make some money too, that’s ‘OK.’” -- *Food importer currently importing from Israel, Jordan, and Egypt.*

“We lost a lot of money over there and we have no interest in going back.” -- *Food importer and an investor in a West Bank canning factory. Now importing from Israel.*

“It is the Israeli customs regulations which are important. That is what I need to know about.” -- *Food importer who could not import olive oil from the West Bank due to Israeli interference.*

“If you don’t control your own ports, how can you do business? I can’t do business like that.” -- *Importer of medical supplies.*

“I don’t think Palestine is ready for trade. My company lost a lot of money by being one of the first American companies to do business in Jordan, and we don’t want the same thing to happen in Palestine.” - *Potential investor and exporter of resins to plastics manufacturers.*

“I have to have credit to do business, and the Taiwanese will give me credit. In Palestine they want cash when you buy something.” -- *Apparel importer.*

In general this group is not a good target audience for current Paltrade services. In part it is because they are generally aware of products available in Palestine, the difficulties in exporting them from Palestine, and the difficulties in making an investment there. When probed deeply, the potential investors will generally say that the system for foreign investment currently in place in Palestine is just too inefficient to deal with. They do not have confidence that there is any rule of law or any legal protections in place for them. In this regard, the one thing that two of the potential investors mentioned that Paltrade could do, would be to be a one stop shop which would get them all of the licenses, permits, and tax agreements necessary for them to set up a business in Palestine. They do not want to deal with the Palestinian Authority or local governments directly. Also, they would like to see some arbitration services in place so they could have some confidence that disputes would be settled fairly.

Because the survey was conducted during the latest intifada, the issue of border control may have been more prominently mentioned than otherwise, but it has always been of concern to U.S. based importers. No one had any suggestions as to what Paltrade could do about this except to exert political pressure for Palestine to have its own ports. The eventual goal in more normal times would be that Paltrade would somehow guarantee that a shipment from exporter X in Palestine would arrive at importer Y’s warehouse in Chicago at such and such a price on such and such a date. It is probably no accident that the person involved with software development was the most positive about Palestine. Software development and information technology are examples of “borderless businesses” which can generally (via satellite) export and import data without border or Customs interference. This is one business area which Israeli Customs would have a hard time stopping.

Respondents without Business Experience in Palestine

Thirteen of the people surveyed were professionals or business people who had no actual experience in trying to do business in Palestine. The majority of them were members of a U.S. based trade organization, civic organization, or club for the purpose of professional development, business information, contacts, or political activism. Although few really knew much about it, members of this group were much more interested in Paltrade than the group who had tried to do business in Palestine. The majority of this group said they would be interested in joining Paltrade if it could provide them with:

1. Networking opportunities
2. Business contacts
3. Opportunities to share information with Palestinians in Palestine
4. Accurate industry, trade, and general information about Palestine

The above services can be compared with the ones mentioned by those businessmen with experience in Palestine. The only services they seemed to care about would be what might be characterized as “action” services in which Paltrade would:

1. Act on their behalf to procure all of the clearances necessary to do business in Palestine.
2. Act on their behalf to clear goods through Israeli or Palestinian Customs.
3. Provide arbitration services in the case of a business dispute.
4. Act as a political pressure group in trade and tourism issues.

Tour Operators

Two Palestinian American tour operators who did business in the West Bank were also interviewed. One saw a role for Paltrade as a political pressure group, and said that the removal of the U.S. State Department travel advisory for the West Bank should be the number one objective in getting tourism restarted. He wanted Paltrade to be an advocacy group for this. Both tour operators relied on relatives and friends in Palestine for business information, and did not see a great need for Paltrade as an information supplier.

U.S. Based Organizations Serving Palestinian Americans

There are many organizations in the U.S. which currently have some Palestinian American membership. In an attempt to discover the number and importance of Palestinian American or Arab American organizations in the U.S., four leaders of Arab American associations were contacted during the survey. The picture that emerged was that of many organizations with a Palestinian membership, but no single, all-powerful organization. Some of the Associations which serve Palestinian Americans in some capacity are:

1. The National U.S. Arab Chamber of Commerce
2. The Arab American Chamber of Commerce
3. The American Arab Chamber of Commerce
4. The Palestinian American Chamber of Commerce
5. The Palestinian American Congress
6. The United Palestinian Appeal
7. The Federation of Ramallah Clubs
8. The Jerusalem Fund
9. The Arab American Anti –Discrimination Committee
10. The Arab American Institute
11. The U.S. Palestinian Business Advisory Group

The activities of the associations with a majority Palestinian membership are often concentrated at a local level. The Palestinian American Chamber of Commerce is active mainly in Houston, Texas. The American Arab Chamber of Commerce is active in the Detroit area, which has the largest concentration (estimated at over 500,000) of Arab Americans in the U.S. The Ramallah Clubs have some strong local chapters and others that are weaker, as is the case with the Palestinian American Congress. No one group seems to be strong everywhere, and the American Arab Chamber in Detroit, with 850 members, appears to be the strongest Arab American business association in the U.S. A title page from the websites of the above organizations (which have websites) is included at the end of this report. A couple of interesting comments made by officers of the associations contacted were:

“I don’t really like having a lot of members. They pay a couple of hundred dollars for membership and then ask you to do \$500 worth of work.” – *Association Executive*

“Why would anybody pay \$500 to join Paltrade when they can join our group for \$25? Those people at Paltrade don’t need the money.” -- *Association Executive*

Paltrade Expansion into the U.S.

The question has been asked as to whether Paltrade should make an attempt to increase its U.S. membership base by offering services which would appeal to U.S. based Palestinian American businessmen or professionals. The results of this survey reveal that the support for such an expansion is very shallow and not likely to succeed on any large scale. However the area of corporate memberships and services for corporate members has not been addressed in this survey, and may offer some possibilities. In addition, the possibility of pairing up with one of the existing U.S. based organizations serving Arab American businessmen should be explored.

Appendix: Flip Chart Transcriptions

Descriptions of Futures

“Our Own Worst Enemy”

<p><u>Characteristics:</u></p> <p>Large public sector</p> <p>Smaller private sector firms</p> <p>Limited investment and joint ventures</p> <p>Unemployment + concealed unemployment</p> <p>Internal brain drain</p> <p>Traditional industries prosper</p> <p>Family owned businesses dominate private sector</p> <p>Heavy handed government</p> <p>Regulations are complicated and arbitrary</p> <p>Tax avoidance is rampant</p>	<p><u>Sector growth:</u></p> <p>IT down</p> <p>Banking down</p> <p>Traditional Up</p> <p>Construction down</p> <p>Tourism down</p> <p>Telecommunications down</p> <p>Public ownership up</p>
<p><u>Services Needed:</u></p> <p>Individualized business needs</p> <p>Advocacy</p> <p>Contacts</p> <p>Accounting/Regulation</p> <p>Foreign contacts</p> <p>Foreign investment advice</p> <p>Training needs dictated by public policy</p>	

“The Right Track”

<u>Characteristics:</u>	<u>Services Needed:</u>
Larger companies	Accurate and timely information regarding new rules and market data
More start-ups	Qualified skilled labor critical
More shareholding, more joint ventures	Image building for companies and Palestine
Modern industries, high tech, business services, and construction dominate	Advanced communications needed
Traditional labor down as higher skills needed	Transparency and broad based standards development critical
Demand for sophisticated financial services expands	Financial related services and consultants and planning are in high demand
Education and health are key public policy issues	Networking outreach changes – no more “old boy” network
Demand for education and healthcare increase and becomes more private	Arbitration rules need to be developed quickly
Technology driven infrastructural development necessary	Effective and transparent government regulations must be fostered
	Lobbying and advocacy needs greater coordination
	Better marketing know-how

“Pragmatism”

<u><i>Characteristics:</i></u>	<u><i>Growth:</i></u>
Focus on regional not international markets	Private investment up modestly
Traditional, independent, and family-owned businesses dominate	Construction, tourism and IT up
More subcontracting through Israeli firms in all sectors	Holding companies used more
More joint ventures with Israeli firms	Capital flights slows
More businesses services on middle management level	Exports – modest increase outside agriculture, Israel's share of trade the same
High turnover in businesses	Sharp increase in IT exports
Limited venture capital firms	Imports – Modest increase, mainly in telecom infrastructure
More formal economy	Foreign private investment increases modestly, mostly in infrastructure and services
IT start-ups but fewer stand-alone firms	Productivity up, transaction costs down
Financial services available but conservative	Standard of living stagnates
Politics and Economy equal on national agenda	More educated workers and a larger managerial class

“Survival”

<u><i>Characteristics:</i></u>	<u><i>Needs:</i></u>
Family businesses and traditional, low-tech firms dominate	Charity – dependence on donors
Israeli businesses dominate – subcontracting is best Palestinian firms can hope for	Protectionism dominates
Few multinationals have special deals	Labor substitution is key public policy
Black market flourishes	NTBs are demanded
Import substitution – low value added	Lobbying central government
Cash economy – weak financial sector	Need to find alternatives to Israeli markets
Public monopolies on key industries e.g. utilities	Survival politics
Paralyzed government services	Common Needs Across Scenarios:
Shortages of raw materials	Image building to outside world
	Advocacy

Rent seeking behavior	Standards development support and transparency
Politics dominate business agenda	Finding synergies between private sector and government
Brain drain and capital flight hobble economy	Quality control
Weak and inefficient government institutions	Training
Low household income	Outreach
Weak health and education capabilities	Facilitation of cross-sectoral activities
Lower investment in general and high tech in particular	Marketing assistance
Increased unemployment	
Farming and construction dominate local jobs	
Up to 50% of firms close	
Some local industries flourish – food, construction and building materials	
Limited international business	